

Message Text

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PAGE 01 ABU DH 01370 290559Z

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 /018 W
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R 290535Z JUN 75

FM AMEMBASSY ABU DHABI

TO USDOC WASHDC

INFO SECSTATE WASHDC 3095

LIMITED OFFICIAL USE ABU DHABI 1370

E.O. 11652: N/A

TAGS: BTIO, TC

SUBJ: ABU DHABI TO AWARD ROAD CONTRACT TO U.S. FIRM

REF: (A) ABU DHABI 1235 (B) ABU DHABI 1270 (C) USDOC 8807
(D) USDOC 2482

1. EMBASSY HAS JUST LEARNED THAT ABU DHABI PROJECTS COMMITTEE HAS REVERSED SELF AND HAS DECIDED TO RECOMMEND AWARDING OF AL-AIN-SWEIHAN ROAD PROJECT TO U.S. FIRM OF PEAVY AND TOWSON. THIS REVERSAL CAME TWO DAYS AFTER COMMITTEE HAD DECIDED IN FAVOR OF SECOND LOW BIDDER, AL-KHARAFI OF KUWAIT, BECAUSE OF U.S. COMPANY'S INABILITY TO POST REQUIRED TWENTY PERCENT PERFORMANCE BOND.

2. AFTER NUMEROUS ATTEMPTS TO RAISE BOND, PEAVY AND TOWSON'S LOCAL REPRESENTATIVE, ADNAN MAHMOUK, WAS FINALLY ABLE TO GET TEN PERCENT BOND FROM LOCAL BRANCH OF HABIB BANK OF PAKISTAN. MAHMOUK HAD RECEIVED LETTER FROM PUBLIC WORKS DEPARTMENT (PWD) STATING THAT NO EXTENSIONS WOULD BE GRANTED BEYOND JUNE 29 AND THAT IF BONDING CONDITIONS (I.E. TWENTY PERCENT) OF ORIGINAL LETTER OF ACCEPTANCE WERE NOT MET BY THEN, COMPANY WOULD FORFEIT ITS ORIGINAL TENDER BOND. APPARENTLY MAHMOUK HAS BEEN ABLE TO PERSUADE PROJECTS COMMITTEE TO ACCEPT TEN PERCENT WHICH IS NORMAL REQUIREMENT OF THIS KIND CONTRACT. BECAUSE OF DOUBTS ABOUT PEAVY AND TOWSON'S FINANCIAL CONDITION, PWD HAD REQUIRED LARGER THAN USUAL PERFORMANCE BOND.

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PAGE 02 ABU DH 01370 290559Z

3. PROJECT COMMITTEE'S RECOMMENDATION NOW IS REFERRED TO
ABU DHABI EXECUTIVE COUNCIL FOR FINAL ACTION. UNLESS
UNFORESEEN DIFFICULTY ARISES, COUNCIL'S INSTRUCTIONS
SHOULD REACH PWD LATER THIS WEEK.

4. COMMENT: ALTHOUGH WE UNDERSTAND U.S. FIRM HAS EXCELLENT
TECHNICAL QUALIFICATIONS FOR THIS JOB, WE ARE CONCERNED
LEST ITS FINANCIAL POSITION EFFECT ITS PERFORMANCE.
PEAVY'S COMMENTS REF C SUGGESTS TO US THAT HE EITHER UNAWARE
OF OR UNINTERESTED IN PROJECT STATUS. EMBASSY WOULD
APPRECIATE RECEIVING ANY INFORMATION ABOUT THIS COMPANY IN
ADDITION TO THAT SENT VIA REF D.
STERNER

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